

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF
NORTHERN UTAH
(dba YMCA of NORTHERN UTAH)**

FINANCIAL STATEMENTS WITH
OMB CIRCULAR A-133 REPORTS AND SCHEDULES AND
INDEPENDENT AUDITORS' REPORT

Year Ended December 31, 2014
With Summarized Information for the
Year Ended December 31, 2013



Hansen, Bradshaw, Malmrose & Erickson
CERTIFIED PUBLIC ACCOUNTANTS

YMCA of NORTHERN UTAH

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INDEPENDENT AUDITORS' REPORT

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(dba YMCA of Northern Utah)

Report on the Financial Statements

We have audited the accompanying financial statements of YMCA of Northern Utah ("the YMCA") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013 and the related statements of activities and changes in net assets, and functional expenses for the year ended December 31, 2014, and the statements of cash flows for the years ended December 31, 2014 and 2013 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the YMCA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the YMCA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the YMCA as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, and functional expenses for the year ended December 31, 2014, and the statements of cash flows for the years ended December 31, 2014 and 2013, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2015 on our consideration of YMCA of Northern Utah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering YMCA of Northern Utah's internal control over financial reporting and compliance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Matter

The prior year summarized comparative information has been derived from YMCA of Northern Utah's financial statements and, in our report dated August 4, 2014, we expressed an unmodified opinion on those financial statements.

Hansen, Bradshaw, Malmrose & Erickson, P.C

September 29, 2015

YMCA of NORTHERN UTAH
Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
ASSETS		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 151,176	\$ 171,926
Cash and cash equivalents, restricted	273,980	641,305
Grants and accounts receivable, less allowance for doubtful accounts of \$28,513 and \$349, respectively	642,511	493,603
Contributions receivable, net	15,087	28,030
Prepaid expenses	10,091	9,700
Inventories	4,802	4,808
Investments - common stock	4,613	3,931
	1,102,260	1,353,303
TOTAL CURRENT ASSETS		
<u>NON-CURRENT ASSETS</u>		
Interest in the Community Foundation of Utah	51,305	48,632
Property and equipment, net	1,911,795	1,206,570
Deposits	1,200	1,200
	1,964,300	1,256,402
TOTAL NON-CURRENT ASSETS		
TOTAL ASSETS	\$ 3,066,560	\$ 2,609,705
LIABILITIES AND NET ASSETS		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 60,548	\$ 44,700
Accrued expenses	133,261	87,624
Deferred revenue	80	6,195
	193,889	138,519
TOTAL CURRENT LIABILITIES		
<u>NON-CURRENT LIABILITIES</u>		
Deferred rent	5,300	4,900
	199,189	143,419
TOTAL LIABILITIES		
<u>NET ASSETS</u>		
Unrestricted - undesignated	2,539,950	1,738,998
Unrestricted - designated	5,000	5,000
Temporarily restricted	289,067	688,934
Permanently restricted	33,354	33,354
	2,867,371	2,466,286
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	\$ 3,066,560	\$ 2,609,705

The accompanying notes are an integral part of these financial statements.

YMCA of NORTHERN UTAH
Statements of Activities and Changes in Net Assets
For the Year Ended December 31, 2014

	2014			Total	2013
	Unrestricted	Temporarily Restricted	Permanently Restricted		(summarized info)
PUBLIC SUPPORT AND OTHER REVENUES					
<u>PUBLIC SUPPORT</u>					
Contributions and grants	\$ 420,229	\$ 180,955	\$ -	\$ 601,184	\$ 383,855
Government contracts and grants	1,707,782	50,000	-	1,757,782	1,480,832
Program fees	950,433	-	-	950,433	827,151
Special events, net of direct donor benefits of \$33,153 and \$28,984, respectively	66,306	-	-	66,306	59,495
TOTAL PUBLIC SUPPORT	3,144,750	230,955	-	3,375,705	2,751,333
<u>OTHER REVENUES</u>					
Miscellaneous revenue	4,377	58	-	4,435	7,018
Interest and dividend income	52	1,190	-	1,242	1,504
Unrealized and realized gain on investments, net	630	1,483	-	2,113	5,735
In-kind contributions	1,176,608	32,021	-	1,208,629	849,189
Net assets released from restrictions	665,574	(665,574)	-	-	-
TOTAL OTHER REVENUES	1,847,241	(630,822)	-	1,216,419	863,446
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	4,991,991	(399,867)	-	4,592,124	3,614,779
EXPENSES					
<u>PROGRAM SERVICES</u>					
Program services	3,711,771	-	-	3,711,771	3,166,312
TOTAL PROGRAM SERVICES	3,711,771	-	-	3,711,771	3,166,312
<u>SUPPORTING SERVICES</u>					
Management and general	292,634	-	-	292,634	245,711
Marketing and fund-raising	186,634	-	-	186,634	164,436
TOTAL SUPPORTING SERVICES	479,268	-	-	479,268	410,147
TOTAL EXPENSES	4,191,039	-	-	4,191,039	3,576,459
CHANGES IN NET ASSETS	800,952	(399,867)	-	401,085	38,320
NET ASSETS, BEGINNING OF YEAR	1,743,998	688,934	33,354	2,466,286	2,427,966
NET ASSETS, END OF YEAR	\$ 2,544,950	\$ 289,067	\$ 33,354	\$ 2,867,371	\$ 2,466,286

The accompanying notes are an integral part of these financial statements.

YMCA of NORTHERN UTAH
Statements of Functional Expenses
For the Year Ended December 31, 2014

	Supporting Services					
	All Program Services	Management and General	Marketing and Fundraising	Total	Total Expenses	(summarized info 2013)
PERSONNEL EXPENSES						
Salaries and wages	\$ 1,499,236	168,935	134,287	\$ 303,222	\$ 1,802,458	\$ 1,618,238
Payroll taxes and benefits	281,802	34,503	22,958	57,461	339,263	277,020
TOTAL PERSONNEL EXPENSES	1,781,038	203,438	157,245	360,683	2,141,721	1,895,258
OTHER EXPENSES						
Rent	1,073,317	7,563	4,252	11,815	1,085,132	870,346
Professional fees	102,409	43,838	4,546	48,384	150,793	106,240
Food	143,982	1,710	912	2,622	146,604	149,807
Supplies	80,620	83	20	103	80,723	56,315
Printing and advertising	46,158	2,052	2,384	4,436	50,594	44,102
Transportation	56,399	-	36	36	56,435	42,682
Office supplies	41,376	3,989	3,428	7,417	48,793	10,861
Telephone Services	13,542	2,340	1,712	4,052	17,594	14,737
Utilities	21,564	-	33	33	21,597	24,641
Insurance	20,785	754	257	1,011	21,796	22,262
Postage	10,450	1,854	361	2,215	12,665	11,361
Travel	23,731	1,724	983	2,707	26,438	32,427
Seminar and meetings	18,412	213	1,258	1,471	19,883	13,827
Bank charges	11,631	9,123	2,832	11,955	23,586	16,409
Equestrian	21,385	-	-	-	21,385	21,387
Admission fees	21,183	-	271	271	21,454	15,172
Equipment	28,796	55	-	55	28,851	9,479
Repairs and maintenance	9,033	-	-	-	9,033	11,106
YUSA Support	16,554	1,876	1,076	2,952	19,506	18,158
Licenses and permits	16,094	1,312	39	1,351	17,445	8,108
Awards and recognition	3,660	2,634	687	3,321	6,981	4,277
Dues	748	3,484	108	3,592	4,340	3,710
Miscellaneous	-	-	103	103	103	584
TOTAL OTHER EXPENSES	1,781,829	84,604	25,298	109,902	1,891,731	1,507,998
NON-CASH EXPENSES						
Bad debts	31,314	-	4,091	4,091	35,405	54,372
Depreciation and amortization	117,590	4,592	-	4,592	122,182	118,831
TOTAL NON-CASH EXPENSES	148,904	4,592	4,091	8,683	157,587	173,203
TOTAL EXPENSES	\$ 3,711,771	\$ 292,634	\$ 186,634	\$ 479,268	\$ 4,191,039	\$ 3,576,459

The accompanying notes are an integral part of these financial statements.

YMCA of NORTHERN UTAH
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 401,085	\$ 38,320
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	122,182	118,831
Bad debt	35,405	54,372
Realized and unrealized (gain) loss on investments:		
Community Foundation of Utah	(2,673)	(5,362)
Other investments	(682)	(1,125)
Donation of investments and property	(40,340)	(41,518)
(Increase) decrease in operating assets:		
Grants and accounts receivable, net	(184,313)	(50,272)
Contributions receivable, net	12,943	49,835
Prepaid expenses	(391)	(2,019)
Inventories	6	(3,380)
Increase (decrease) in operating liabilities:		
Accounts payable	15,848	15,716
Accrued expenses	45,637	11,377
Deferred revenue	(6,115)	3,805
Deferred rent	400	1,600
	398,992	190,180
NET CASH FLOWS FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(798,358)	(17,225)
Proceeds from sale of donated stock	11,291	43,507
	(787,067)	26,282
NET CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES		
NET CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(388,075)	216,462
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	813,231	596,769
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 425,156	\$ 813,231
CASH AND CASH EQUIVALENTS, AS PRESENTED ON THE STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 151,176	\$ 171,926
Cash and cash equivalents, restricted	273,980	641,305
	\$ 425,156	\$ 813,231
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
In-kind contributions:		
Investments	\$ 11,291	\$ 34,438
Donations of equipment	\$ 29,049	\$ 7,080

The accompanying notes are an integral part of these financial statements.

YMCA of NORTHERN UTAH
Notes to the Financial Statements
December 31, 2014

1. Summary of significant accounting policies

Nature of operations – During 2014, the Board of Directors for the YMCA of Northern Utah (“the YMCA”) committed to maintaining its programs and services, with an emphasis on Youth Development and a focus on academic support and character development. The YMCA’s programs reflect a commitment to providing educational, family, and community support for ALL through Early Childhood Education, Before and After-school Programs, and Summer Camps (day and overnight).

The official mission of the YMCA is “to provide our communities with experiences that build strong kids, strong families, and strong communities.” It is driven by community need, guided by community volunteers, and open to all. In all programs, the YMCA builds values of caring, honesty, respect and responsibility. The National YMCA has three focus areas: 1-Youth Development, 2-Healthy Living, and 3-Social Responsibility. The YMCA of Northern Utah accomplishes its mission and vision, and incorporates the focus areas of the National YMCA through the following programs:

- *The YMCA’s Camp Roger* is a non-denominational residential camp for boys and girls ages seven through seventeen located on 40-acres in the Uinta Mountains. The children are taught the values of caring, honesty, respect and responsibility throughout their stay while participating in a variety of camp activities. Camp Roger gives children an opportunity to learn new skills, build confidence and develop independence.
- *Extended school programs* provide enrichment with a safe, supervised and fun place to be after school for children ages five through twelve. The YMCA offers programs at 19 different schools/locations in Salt Lake and Weber Counties. The enrichment programs offer homework help, snacks and structured activities each day. Activities include academics, sports, music, creativity, science, games, arts and crafts, teambuilding and more. Each extended school program helps children gain the skills necessary to become successful teenagers and adults.
- *The YMCA Community Family Center* (the “Center”) allows the YMCA, schools and cities to work together to better understand and adapt to the communities’ needs. The Center serves all individuals in the community through programs specific for children, teens, adults and families. Participants at the Center are taught the importance of youth development, healthy living and social responsibility. The Center adapts to the needs of the communities on a continual basis to ensure that the communities’ needs are being met.

The YMCA believes that no family should be turned away for inability to pay, so scholarships and financial assistance are available in all YMCA programs.

Basis of presentation – The financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, Not-for-Profit Entities, Presentation of Financial Statements. Under FASB ASC 958-205, the YMCA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets are those whose use by the YMCA can be for any purpose to support the YMCA. Temporarily restricted net assets are those whose use by the YMCA has been limited by donors to a specific time period, purpose, or both. Permanently restricted net assets have been restricted by donors to be maintained by the YMCA in perpetuity.

The YMCA has elected to treat all temporarily restricted contributions in which the restrictions are met in the current year as unrestricted contributions.

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
December 31, 2014

1. Summary of significant accounting policies (Continued)

Prior year summarized comparative information – The financial statements include certain prior year summarized comparative information in total. Such information does not always include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, such information should be read in conjunction with the YMCA’s financial statements for the year ended December 31, 2013, from which the summarized comparative information was derived.

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – The YMCA considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes are not considered cash and cash equivalents for the purposes of the statement of cash flows.

Grants and accounts receivable – Grants and accounts receivable are recorded at the invoiced amount and do not bear interest. An allowance for doubtful accounts is recorded when the YMCA determines, based on historical experience and collection efforts, that an account is uncollectible. The YMCA reviews its allowance for doubtful accounts periodically. Account balances are charged off after all means of collection have been exhausted and the potential for recovery is considered remote.

Contributions receivable – Contributions receivable that are to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, contributions receivable are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition.

The discount rate determined at the initial recognition of the contribution receivable is based upon management’s assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the YMCA’s past collection experience and its policies concerning the enforcement of contributions receivable, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable’s collectability. Amortization of the discount is recorded as temporarily restricted contributions in the statement of activities. The YMCA uses the allowance method to determine uncollectible contributions. The allowance is based on historical experience and management’s analysis of specific balances.

Inventories – Inventories are stated at the lower of cost or market, and consist of miscellaneous camp merchandise purchased for resale to camp participants. Cost is determined using the first-in, first-out method. Market is based upon realizable value.

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
December 31, 2014

1. Summary of significant accounting policies (Continued)

Investments – Investments are stated at estimated fair value. Realized and unrealized gains and losses, interest, and dividends on investments are recorded as unrestricted unless such amounts are restricted by the donor or by law. Investments received as gifts are recorded at the estimated fair market value at the date of the gift.

Interest in the Community Foundation of Utah – Amounts reported as interest in the Community Foundation of Utah (“CFU”) represent the net cumulative transfers by the YMCA to the CFU, as well as earnings thereon. The CFU holds and invests the funds on behalf of the YMCA. The CFU has variance power to modify any restriction or condition on the distribution of funds if, at the sole discretion of the CFU, the specified charitable purpose becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

Property and equipment – The YMCA capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are stated at cost less accumulated depreciation and amortization, or if acquired by gift, at estimated fair market value at the date of the gift.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is recognized. Maintenance and repairs which neither materially add to the value of the property and equipment nor appreciably prolong its life are expensed as incurred.

Depreciation of property and equipment and amortization of leasehold improvements are computed using the straight-line method based on the shorter of the estimated useful lives or lease terms of the assets as follows:

	<u>Estimated Useful Lives</u>
Buildings	10 – 40 years
Leasehold improvements	15 – 25 years
Camp equipment	5 – 10 years
Office furniture and equipment	3 – 7 years
Vehicles	5 years
Software	3 years

Long-lived assets – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. No impairment charges were recorded during the years ended December 31, 2014 and 2013.

Public support and revenues – The YMCA derives its revenues from program fees, government contracts and grants, contributions and grants, and miscellaneous sources. Camping and program revenue is recognized in the period to which the service or activity relates.

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
December 31, 2014

1. Summary of significant accounting policies (Continued)

Public support and revenues (continued) – The YMCA conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable objective means exists to demonstrate otherwise, the fair market value of meals and entertainment provided at special events is measured at actual cost to the YMCA. The direct costs of the special events, which ultimately benefit the donor rather than the YMCA, are recorded as costs of direct donor benefits.

Grants and other contributions of cash and other assets are reported at fair value at the date the written promise to give is received. Conditional promises to give or indications of intentions to give are not reported until the condition(s) are met. Restricted gifts are recorded as revenue when cash is received or a written promise is given by a donor.

Contributions of donated noncash assets are recorded at their fair market values when received. A substantial number of volunteers have donated significant amounts of time and services to the YMCA's program operations and fund-raising efforts. However, such contributed services do not meet the criteria for recognition of contributed services contained in U.S. GAAP and, accordingly, are not reflected in the accompanying financial statements. Other contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market values when received.

Deferred revenue – Deferred revenue consists of tuition payments and camp user deposits received during the current year for services to be provided by the YMCA in the next year.

Functional allocation of expenses – The costs of programs and supporting services have been summarized on a functional basis in the statement of activities. All direct costs are charged to the functional area to which they pertain. Indirect costs are charged to programs and supporting services based on estimates made by management taking into account the nature of the expense and how it relates to the functional area. General and administrative costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the YMCA.

Income taxes – The YMCA is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The YMCA does not believe it has any material uncertain tax positions. The YMCA's 2011 and future tax returns, though not currently under audit, are subject to examination by both the Internal Revenue Service and applicable state tax commissions.

Fair value measurements – FASB ASC 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- *Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the YMCA has the ability to access.

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
December 31, 2014

1. Summary of significant accounting policies (Continued)

Fair value measurements (continued) –

- *Level 2:* Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- *Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Advertising – Advertising costs are expensed when incurred. Advertising expense for the years ended December 31, 2014 and 2013 was \$41,844 and \$33,609, respectively. Advertising expenses are included in printing and advertising on the Statement of Functional Expenses.

2. Contributions receivable

Contributions receivable consisted of the following as of December 31, 2014 and 2013:

	2014	2013
Amounts due in:		
Less than one year	\$ 15,087	\$ 28,030
Between one and five years	-	-
Total contributions receivable	15,087	28,030
Less: allowance for uncollectible pledges	-	-
Total contributions receivable, net	\$ 15,087	\$ 28,030

3. Investments

The YMCA's short-term investments comprise equity securities, all of which are classified as trading securities and are carried at their fair value based on the quoted market prices of the securities at December 31, 2014 and 2013. Net realized and unrealized gains and losses on trading securities are included in net earnings. For purpose of determining realized gains and losses, the cost of securities sold is based on specific identification.

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
December 31, 2014

3. Investments (continued)

The composition of trading securities, classified as current assets, is as follows at December 31, 2014 and 2013:

	December 31, 2014		December 31, 2013	
	Cost	Fair Value	Cost	Fair Value
Common stock	\$ 2,912	\$ 4,613	\$ 2,912	\$ 3,931
Interest in Community Foundation of Utah	33,354	51,305	33,354	48,632
Total	\$ 36,266	\$ 55,918	\$ 36,266	\$ 52,563

Investment income for the years ended December 31, 2014 and 2013 consisted of the following:

	2014	2013
Interest and dividends	\$ 1,242	\$ 1,504
Net realized gain	1,154	624
Net unrealized gain	959	5,111
Total investment income	\$ 3,355	\$ 7,239

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that market fluctuations in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

4. Property and equipment

Property and equipment consisted of the following as of December 31, 2014 and 2013:

	2014	2013
Cost:		
Buildings	\$ 1,520,652	\$ 1,520,652
Leasehold improvements	313,343	301,205
Camp equipment	204,359	204,359
Office furniture and equipment	107,464	76,579
Vehicles	82,022	52,973
Software	34,467	25,883
Construction in progress	753,960	7,209
Total	3,016,267	2,188,860
Less: accumulated depreciation and amortization	(1,104,472)	(982,290)
Total property and equipment	\$ 1,911,795	\$ 1,206,570

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
December 31, 2014

4. Property and equipment (continued)

Depreciation and amortization expense was \$122,182 and \$118,831 for the years ended December 31, 2014 and 2013, respectively.

During 2008, the YMCA entered into a collaboration agreement with the Granite School District ("Granite") whereby the YMCA agreed to construct a facility on land owned by Granite for the purposes of providing academic enrichment and other activities. The agreement covers the period from June 2009 through May 2014, and automatically renews in one-year increments at the end of the initial term. Either party may terminate the agreement by giving written notice of such termination 180 days prior to the next annual renewal date. The net book value of the building was \$400,800 as of December 31, 2014 and is being depreciated over the 30 year expected term of the agreement, including expected renewals.

The YMCA entered into a similar collaboration agreement during 2011 whereby the YMCA agreed to construct a facility on land owned by the Ogden City School District. Construction began during 2014 and is expected to be completed in 2015.

5. Board designated net assets

Board designated net assets consisted of board designated endowment funds of \$5,000 as of December 31, 2014 and 2013.

6. Temporarily restricted net assets

Temporarily restricted net assets consisted of cash, accounts receivable and unappropriated earnings on permanent endowments as of December 31, 2014 and 2013 that are available for the following purposes:

	2014	2013
Capital campaign	\$ 136,943	\$ 557,453
Extended school programs	130,275	112,305
Camp Roger	20,099	17,426
Community Family Center	1,750	1,750
Total endowment	\$ 289,067	\$ 688,934

7. Permanently restricted net assets

Permanently restricted net assets consisted of the Tom E. and Nancy A. Nissalke Camp Fund. The permanently restricted net assets balance was \$33,354 as of December 31, 2014 and 2013.

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
December 31, 2014

8. Endowment

The YMCA's endowment includes both donor-restricted endowment and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The YMCA has contracted the CFU to manage the endowment funds. The CFU participates in determining how funds should be invested and the distribution approval process.

Interpretation of relevant law - The Board of Directors of the YMCA has interpreted the Uniform Prudent Management of Institutional Funds Act law ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor -restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the YMCA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the YMCA in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the YMCA considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the YMCA and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the YMCA
- (7) The investment strategy of the YMCA

Endowment net asset composition by type of fund as of December 31, 2014, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 12,951	\$ 33,354	\$ 46,305
Board-designated	5,000	-	-	5,000
Total endowment funds	\$ 5,000	\$ 12,951	\$ 33,354	\$ 51,305

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
December 31, 2014

8. Endowment (continued)

Changes in endowment net assets for the year ended December 31, 2014, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	\$ 5,000	\$ 10,278	\$ 33,354	\$ 48,632
Return on investments:				
Investment income	-	1,190	-	1,190
Donations	-	-	-	-
Net gain (realized and unrealized)	-	1,483	-	1,483
Total investment return	-	2,673	-	2,673
Balance, end of year	\$ 5,000	\$ 12,951	\$ 33,354	\$ 51,305

Funds with deficiencies – It is possible that the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the YMCA to retain as a fund of perpetual duration. There were no deficiencies reported as of December 31, 2014 and 2013.

Return objectives and risk parameters – The YMCA attempts to maximize long-term gains with an acceptable level of risk and to provide funding for special projects consistent with the mission of the YMCA or to act as an emergency funding source. Endowment assets include those assets of donor-restricted funds that the YMCA must hold in perpetuity or for donor-specified periods. The endowment assets are invested in a manner that is intended to maximize return with reasonable risk.

Strategies employed for achieving objectives - To satisfy its long-term rate-of-return objectives, the YMCA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending policy and how the investment objective relates to spending policy – Distribution of endowment funds are approved by the Board of Directors and the CFU and made when deemed appropriate. Distributions from the endowment account will be made when other funding is not available and in accordance with the endowment purpose. This is consistent with the YMCA's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return. There were no amounts appropriated for expenditures during the years ended December 31, 2014 and 2013.

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
December 31, 2014

9. Operating leases

YMCA leases office space and equipment under non-cancelable operating leases. Future aggregate minimum lease payments under existing non-cancelable leases as of December 31, 2014, are as follows:

<u>Years ended December 31,</u>	
2015	\$ 27,866
2016	12,200
2017	<u>11,000</u>
Total future minimum lease payments	<u>\$ 51,066</u>

The YMCA also has agreements with various school districts for free use of facilities and the YMCA records in-kind rent expense equal to the fair market value for use of the facilities. Total rent expense was \$1,085,132 and \$870,346 for the years ended December 31, 2014 and 2013, respectively.

The YMCA entered into a 20-year special use permit with the USDA Forest Services to use land for Camp Roger in 1999. The permit fees due each year vary and are dependent upon the number of campers that attend Camp Roger each year. The amount paid under this agreement was \$7,000 and \$7,400 for the years ended December 31, 2014 and 2013, respectively.

10. Retirement plan

The YMCA participates in a defined contribution, individual account and money purchase retirement plan, which is administered by the Young Men's Christian Association Retirement Fund ("YMCA Retirement Fund"), a separate corporation organized under the laws of the state of New York.

The YMCA Retirement Fund is for the benefit of all eligible professional and nonprofessional staff of the YMCA who qualify under the participation requirements. Each participating employee may contribute monthly to the YMCA Retirement Fund. The YMCA is required to contribute monthly to the YMCA Retirement Fund regular payments equal to a percentage of each participating employee's monthly compensation. Currently, the percentage is 12.00%. The YMCA contributed \$120,502 and \$82,020 to the YMCA Retirement Fund on behalf of its employees during the years ended December 31, 2014 and 2013, respectively.

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
December 31, 2014

11. In-kind donations

During the years ended December 31, 2014 and 2013, the YMCA received the following non-cash donations of materials, services and free use of facilities that have been reflected in the accompanying financial statements:

	2014	2013
Rent	\$ 1,050,814	\$ 835,661
Building improvements	75,594	-
Camp improvements	2,818	-
Equipment and vehicles	29,202	-
Food	13,375	11,361
Supplies and equipment	36,231	-
Printing and advertising	-	1,770
Professional fees	345	311
Repairs and maintenance	250	88
Total in-kind donations	\$ 1,208,629	\$ 849,191

The use of facilities and land has been donated by various school districts in which the YMCA's extended school programs operate. Amounts have been recognized as revenues and expenses in the accompanying financial statements for the fair market value of the donated facilities. The noncash donations were made for the purpose of supporting and running the Camp Roger, extended school programs and the Community Family Center.

12. Concentrations

The YMCA maintains cash and cash equivalents balances in financial institution accounts, which at times may exceed the federally insured limits of \$250,000 set by the Federal Deposit Insurance Corporation. The YMCA has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on these balances.

The YMCA receives significant support from government agencies. These government contracts and grants account for approximately 54% and 57% of public support and revenues for each of the years ended December 31, 2014 and 2013, respectively.

Grants and accounts receivable included two significant grants, which represented approximately 69% of the grants and accounts receivable balance as of December 31, 2014. As of December 31, 2013, there were two significant grants which represented approximately 86% of the grants and accounts receivable balance.

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
December 31, 2014

12. Fair value measurements

The following tables summarize the YMCA's assets measured at fair value on a recurring basis as of December 31, 2014 and 2013:

	December 31, 2014		December 31, 2013	
	Cost	Fair Value	Cost	Fair Value
Common stock	\$ 2,912	\$ 4,613	\$ 2,912	\$ 3,931
Money market mutual funds	1,050	1,050	1,050	1,050
Interest in Community Foundation of Utah	33,354	51,305	33,354	48,632
Total	\$ 37,316	\$ 56,968	\$ 37,316	\$ 53,613

The interest in the CFU is valued at the net asset value ("NAV") as provided by the CFU. The NAV is used as a practical expedient to estimating fair value. The NAV is based on the fair value of the underlying investments. The practical expedient is not used when it is determined to be probable that the CFU will sell the investment for an amount different than the reported NAV.

In accordance with FASB ASC 820, the YMCA is required to disclose the nature and risks of the investments reported at NAV. The following tables summarize the nature and risk of these investments as of December 31, 2014 and 2013:

	Assets at Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Common stock	\$ 4,613	\$ -	\$ -	\$ 4,613
Money market mutual funds	1,050	-	-	1,050
Interest in Community Foundation of Utah	-	-	51,305	51,305
Total	\$ 5,663	\$ -	\$ 51,305	\$ 56,968

	Assets at Fair Value as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Common stock	\$ 3,931	\$ -	\$ -	\$ 3,931
Money market mutual funds	1,050	-	-	1,050
Interest in Community Foundation of Utah	-	-	48,632	48,632
Total	\$ 4,981	\$ -	\$ 48,632	\$ 53,613

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
December 31, 2014

13. Fair value measurements (continued)

The underlying investments of the interest in the CFU include mutual funds that seek long-term capital appreciation. Based on the uncertainty of the future date of redemption as redemptions are allowed on an annual basis, the YMCA has classified the interest in the CFU as a Level 3 financial instrument.

The following table presents information about recurring fair value measurements that use significant unobservable inputs (Level 3 measurements):

	2014	2013
Beginning balance	\$ 48,632	\$ 42,970
Purchases and donations	-	300
Unrealized and realized gains and interest income	2,673	5,362
Ending balance	\$ 51,305	\$ 48,632

14. Related party transactions

Annual dues are paid to YUSA, which were \$19,506 and \$18,158 for the years ended December 31, 2014 and 2013, respectively.

15. Subsequent events

The YMCA has evaluated subsequent events through September 29, 2015, which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**OFFICE OF MANAGEMENT AND BUDGET (OMB)
CIRCULAR A-133 REPORTS AND SCHEDULES**

YMCA of NORTHERN UTAH
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal and State Grantors/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Award Amount	Total Federal Expenditures
US Department of Agriculture				
Pass-through Utah State Office of Education				
Child and Adult Care Food Program				
Summer Food Programs (for camps)	10.558		\$ 8,916	\$ 8,916
School Year snack program	10.559		88,160	88,160
Total Pass-through Utah State Office of Education			<u>97,076</u>	<u>97,076</u>
Total US Department of Agriculture			<u>97,076</u>	<u>97,076</u>
US Department of Housing and Urban Development				
Pass-through Salt Lake City Corporation				
Community Development Block Grants (2012-2013)	14.218		4,513	4,513
Community Development Block Grants (2013-2014)	14.218		3,175	3,175
Total Pass-through Salt Lake City Corporation			<u>7,688</u>	<u>7,688</u>
Pass-through Taylorsville City				
Community Development Block Grants (2012-2013)	14.218		1,659	1,659
Community Development Block Grants (2013-2014)	14.218		4,481	4,481
Total Pass-through Taylorsville City			<u>6,140</u>	<u>6,140</u>
Total US Department of Housing and Urban Development			<u>13,828</u>	<u>13,828</u>
US Department of Education				
Pass-through Utah State Office of Education				
21st Century Community Learning Centers				
Project Excel	84.287		172,097	172,097
TEAM Partnerships	84.287		220,649	220,649
Ogden United	84.287		277,768	277,768
Champions	84.287		231,661	231,661
Mini Grant	84.287		3,860	3,860
Total Pass-through Utah State Office of Education			<u>906,035</u>	<u>906,035</u>
Total US Department of Education			<u>906,035</u>	<u>906,035</u>

See notes to the schedule of expenditure of federal awards.

YMCA of NORTHERN UTAH
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2014

Federal and State Grantors/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Award Amount	Total Federal Expenditures
US Department of Health & Human Services				
Pass-through Utah Department of Workforce Services				
Temporary Assistance for Needy Families				
Safe Passages (Mt Ogden)	93.558	102522	80,892	80,892
ASPIRE Grants				
ASPIRE - TO Smith 2013-2014	93.558	140224	13,384	13,384
ASPIRE - Redwood 2013-2014	93.558	140227	19,879	19,879
ASPIRE - Polk 2013-2014	93.558	140223	12,254	12,254
ASPIRE - Lincoln 2013-2014	93.558	140222	12,963	12,963
ASPIRE - Fremont 2013-2014	93.558	140225	20,015	20,015
ASPIRE - Fox Hills 2013-2014	93.558	140226	16,506	16,506
Total ASPIRE Grants			95,001	95,001
Other Grants				
TANF Grant	93.558	151493	24,785	24,785
STEMLink Grant	93.558	150842	40,763	40,763
Total Other Grants			65,548	65,548
Total Temporary Assistance for Needy Families			241,441	241,441
Child Care and Development Block Grant	93.575	150288	270,668	270,668
Total Pass-through Utah Department of Workforce Services			512,109	512,109
Total US Department of Health & Human Services			512,109	512,109
Total Expenditures of Federal Awards			\$ 1,529,048	\$ 1,529,048

See notes to the schedule of expenditure of federal awards.

YMCA of NORTHERN UTAH
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2014

1. Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Young Men's Christian Association of Northern Utah (the "YMCA") under programs of the federal government for the year ended December 31, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget ("OMB") Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the YMCA, it is not intended to and does not present the financial position, changes in net assets or cash flows of the YMCA.

2. Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, where certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Hansen, Bradshaw, Malmrose & Erickson

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
YMCA of Northern Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the YMCA of Northern Utah (a nonprofit organization) (the "YMCA"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the YMCA's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the YMCA's internal control. Accordingly, we do not express an opinion on the effectiveness of the YMCA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the YMCA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a significant deficiency in internal controls, described in the accompanying Schedule of Findings and Questioned Costs as item 2014-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the YMCA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Finding

Management's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the YMCA's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the YMCA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hansen, Bradshaw, Malmrose & Erickson, P.C

September 29, 2015

Hansen, Bradshaw, Malmrose & Erickson

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
YMCA of Northern Utah

Report on Compliance for Each Major Federal Program

We have audited the Young Men's Christian Association of Northern Utah's (the "YMCA") compliance with the types of compliance requirements described in the *Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the YMCA's major federal programs for the year ended December 31, 2014. The YMCA's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the YMCA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the YMCA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the YMCA's compliance.

Opinion on Each Major Federal Program

In our opinion, the YMCA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the YMCA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the YMCA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the YMCA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a significant deficiency in internal controls, described in the accompanying Schedule of Findings and Questioned Costs as item 2014-2.

Report on Schedule of Expenditures of Federal Awards by OMB Circular A-133

We have audited the financial statements of the YMCA as of and for the year ended December 31, 2014, and the related notes to the financial statements. We issued our report thereon dated September 29, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A- 133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hansen, Bradshaw, Malmrose & Erickson, P.C

September 29, 2015

YMCA of NORTHERN UTAH
Schedule of Findings, Questioned Costs, and Recommendations
For the Year Ended December 31, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? No

Identification of Major Programs:

<u>CFDA Number</u> 84.287	<u>Name of Federal Program or Cluster</u> Twenty-First Century Community Learning Centers
------------------------------	--

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

YMCA of NORTHERN UTAH
Schedule of Findings, Questioned Costs, and Recommendations (Continued)
For the Year Ended December 31, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-1 Internal Controls over Financial Year-end Closing Process

Condition:

Throughout the performance of our audit procedures, we noted that many general ledger accounts were not reconciled to supporting schedules that were provided by management. This resulted in several significant audit adjustments. This condition is considered a significant deficiency.

Cause:

The accounting manager left the YMCA during the year-end closing process. At this time, the YMCA reorganized the accounting department and hired a Chief Financial Officer (CFO). However, shortly after starting employment, the CFO left the YMCA. Another CFO was hired late in the closing process. This unusual turnover in a key financial position was a major factor for the cause of the condition.

Effect or Potential Effect:

Not properly reconciling general ledger accounts to supporting schedules could result in inaccurate financial information being provided to management that may lead to bad decisions and cause a delay in federal and other reporting deadlines.

Recommendation:

We recommend the YMCA ensure all policies and procedures be followed, including those over the year-end financial closing process.

Management's Response:

Management acknowledges and agrees with the condition as noted herein. Management will ensure all policies and procedures are being followed, including those related to the year-end financial closing process. Further, management will ensure that general ledger accounts are reconciled with supporting schedules.

YMCA of NORTHERN UTAH
Schedule of Findings, Questioned Costs, and Recommendations (Continued)
For the Year Ended December 31, 2014

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-2 Internal Controls over Manual Journal Entries Relating to Federal Grants

Condition:

Throughout our testing of the internal control environment over federal grants, we noted that many manual journal entries were made related to various federal grants that did not have evidence of approval or did not agree to proper support.

This significant deficiency resulted in no reliance placed on related internal controls and a significant delay in completing audit procedures. In addition, the YMCA may be considered high risk for the 2015 audit year.

Cause:

The accounting manager did not include evidence of approval or proper support for manual journal entries. This employee left the YMCA before audit fieldwork commenced. Management had to place sole reliance on regional directors' recollection of several of the journal entries selected for testing, which represented approximately 45% of the random sample, instead of proper substantive supporting evidence. All cash disbursement samples selected included both proper approval and support.

Audit personnel were able to rely on other mitigating factors, such as inquiry of personnel at the pass-through entity, who approved the initial grant budgets and reviews and approves all reimbursement requests.

Effect or Potential Effect:

Not providing evidence of approval or proper support for manual journal entries relating to federal grants could lead to misappropriation of assets, either by error or fraud, and cause a repayment or loss of future federal grants.

Recommendation:

We recommend the YMCA ensure all manual journal entries, including those relating to federal grants have evidence of approval and proper support.

Management's Response:

Management acknowledges and agrees with the condition as noted herein. Management will ensure all manual journal entries, including those relating to federal grants, have evidence of approval and proper support.

YMCA of NORTHERN UTAH
Schedule of Findings, Questioned Costs, and Recommendations (Continued)
For the Year Ended December 31, 2014

SECTION IV – SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

No reported findings during the prior year's audit.

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